

Message Text

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ACTION L-03

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E.O. 11652: N/A

TAGS: EFIN, HU

SUBJECT: CURRENT STATUS OF GOH DISCUSSIONS WITH US BONDHOLDERS

REF: A) BUDAPEST 3719; B) STATE 216377

1. ACTION REQUESTED: DEPARTMENT REQUESTED TO CONTACT GEORGE WOODS, PRESIDENT OF FOREIGN BONDHOLDERS PROTECTIVE COUNCIL (FBPC) AND INFORM HIM THAT GOH WOULD LIKE HIM TO COME TO BUDAPEST IN JANUARY FOR FURTHER DISCUSSIONS ON BOND QUESTION. PLEASE ALSO INFORM KREUTALL IN RESPONSE TO REF B THAT GOH DOES NOT INTEND TO BEGIN DISCUSSIONS UNTIL FINAL SETTLEMENT REACHED WITH FBPC.

2. DURING CALL ON LASZLO AKAR, CHIEF OF MINISTRY OF FINANCE, INTERNATIONAL CLAIMS DIVN, CONCERNING CURRENT STATUS OF NEGOTIATIONS BETWEEN GOH AND VARIOUS US BONDHOLDERS. AKAR HAD RECEIVED PROPOSALS FORWARDED BY FOREIGN BONDHOLDERS PROTECTIVE COUNCIL (FBPC) IN THEIR LETTER OF OCTOBER 15. IN REPLY HE HAD INVITED COUNCIL PRESIDENT WOODS TO COME TO BUDAPEST IN JANUARY TO CONTINUE DISCUSSIONS. AKAR HOPED THAT IN JANUARY MEETING IT WOULD BE POSSIBLE TO REACH MEETING OF MINDS WHERE DIFFERENCES OF OPINION REMAINED.

GOH WOULD TRY TO REACH FINAL AGREEMENT ON QUESTION OF STATE BONDS, MUNICIPAL BONDS, AND BONDS ISSUED BY HUNGARIAN BANKS

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IN THAT ORDER. AKAR FELT THAT DIFFERENCES BETWEEN GOH AND

COUNCIL WERE SUFFICIENTLY SMALL TO MAKE EARLY SETTLEMENT A REAL POSSIBILITY. HOWEVER, HE REPEATED SEVERAL TIMES THAT GOH COULD NOT CONCLUDE AGREEMENT WITH US BONDHOLDERS WHICH WAS MORE FAVORABLE THAN AGREEMENT REACHED BETWEEN BRITISH BONDHOLDERS AND GOH IN 1968.

3. AKAR TOOK PAINS TO EMPHASIZE THAT ALTHOUGH MOVEMENT ON MFN QUESTION WOULD UNDOUBTEDLY ENCOURAGE PROGRESS TOWARDS EARLY AND COMPLETE SETTLEMENT OF BONDHOLDERS CLAIMS, GOH WAS NOT INSISTING ON MFN OR PROGRESS OF MFN ISSUE AS QUID PRO QUO FOR SETTLEMENT WITH BONDHOLDERS. AN AGREEMENT COULD BE CONCLUDED IN FIRST HALF OF 1974 EVEN WITHOUT FORWARD MOVEMENT ON MFN.

4. AKAR TOOK A RELATIVELY HARD LINE VIS-A-VIS KREUTALL AND THOSE OTHER BONDHOLDERS NOT REPRESENTED BY PROTECTIVE COUNCIL. HE DID NOT INTEND TO BEGIN SERIOUS DISCUSSION WITH THESE PARTIES UNTIL AFTER FINAL AGREEMENT REACHED WITH WOODS ON QUESTION OF STATE OBLIGATIONS, MUNICIPAL BONDS, AND BANK BONDS AND HAD ALREADY INFORMED THEM OF THIS INTENTION. SINCE KREUTALL AND OTHERS HAD BEEN PREVIOUSLY INFORMED OF GOH POSITION, AKAR HAD NOT REPLIED TO THEIR LETTERS AND DID NOT INTEND TO DO SO UNTIL HE WAS IN A POSITION TO MOVE FORWARD IN HIS DISCUSSIONS WITH THEM. AKAR REPEATED CRITICISMS VOICED BY FEKETE AND LASZLO TO AMBASSADOR THAT THE BONDHOLDERS NOT REPRESENTED BY PROTECTIVE COUNCIL HAD VERY TENUOUS CLAIM TO US NATIONALITY AND THAT WHATEVER SETTLEMENT WAS FINALLY REACHED WITH THEM WOULD BE LESS FAVORABLE THAN TERMS OF FINAL AGREEMENT WITH COUNCIL.
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